

CONFIDENTIAL

ITEM NO. 6

MEETING	Snowdonia National Park Authority
DATE	23 October 2020
TITLE	BUSINESS CASE FOR CONTINUING WITH B&B TYPE ACCOMMODATION AT PLAS
REPORT BY	Director of Corporate Services
PURPOSE	To consider options on the future of Plas Tan y Bwlch

1 BACKGROUND

- 1.1 At the last meeting of the Authority it was agreed that a report be presented to this meeting of the Authority to include a range of scenarios as to occupancy with B&B type accommodation as well as options for Plas Tan y Bwlch in the event of a further full lockdown.
- 1.2 In addition, at its last meeting the Plas Tan y Bwlch Board requested that the Authority be provided with details as to the proposed new staff structure that will need to be established if the Authority is minded to proceed with a new business model based on a B&B type accommodation.
- 1.3 The Plas Tan y Bwlch Board also requested an update on the potential for partnerships going forward in the long term as well as to establish a process for reviewing the position at Plas.

2 B&B TYPE ACCOMMODATION

- 2.1 Over previous meetings the Plas Tan y Bwlch Board has looked at a range of options which are set out as follows:
 - 2.1.1 B&B with some groups and other casual opportunities
 - 2.1.2 Just B&B business
 - 2.1.3 Day meetings and office accommodation only.
 - 2.1.4 Business as usual with COVID-19 restrictions in place until Easter 2021
 - 2.1.5 Closure with Caretaker only
 - 2.1.6 Full closure with no staff.

- 2.2 After considerable discussion these options have been reduced to one namely establishing a B&B type business in the short term.
- 2.3 As previously reported to the Authority this business model started operating on Friday 11th September so as to enable us to understand the demand for such accommodation and the likely income stream that this could generate. To date, Plas Tan y Bwlch has generated income of £9,372.48 for the period 11th September to 30th September with a room occupancy figure of 43% for that period.
- 2.4 Whilst the figure of 43% is below the target of 50% for the month of September there is no doubt that the local lockdowns now gathering pace throughout Wales and England has had a severe impact on the B&B business with business tailing off as headlines started to emerge of local lockdowns in Wales. Indeed, occupancy figures were for the initial period at 62% and Plas was receiving bookings and enquiries every day. This business showed a sharp decline however when the media started reporting on the lockdowns in South Wales.
- 2.5 With the local lockdowns now including substantial portions of North Wales the situation has deteriorated further with no business booked into Plas Tan y Bwlch from 1st October onwards. Realistically, this situation is unlikely to improve over the period when Wales is effectively advertised in the press as being in lockdown. To try and broaden our exposure to enquiries for accommodation in the area staff are currently looking at utilising Q-Book which will enable us to expand from just AirBNB to include other well-known booking sites such as Booking.com, Expedia, TripAdvisor, Agoda plus many more. It has to be recognised however that the current situation over the Autumn and Winter is likely to be extremely challenging given recent Covid 19 developments.
- 2.6 As requested, initially by the Plas Tan y Bwlch Board and subsequently confirmed by the Authority I have attached with this paper a series of scenarios as to the likely income (and cost) of running Plas Tan y Bwlch.
- 2.6.1 Appendix 1 sets out the figures presented originally to the Plas Board on 11th September 2020. This gives an overall room occupancy figure of 44% which compares with an average room occupancy for Hotels in Wales for the year 2019 of 66%. As can be seen from Appendix 1 this gives a net annual cost to the Authority for running Plas of £15,240.
- 2.6.2 Appendix 2 sets out the same set of information as that contained in Appendix 1 but with one important change namely the assumption that there will be zero income for the next 5 months. This gives a net cost to the Authority of £61,106

for the year. In this scenario the cost for the purchase of food for breakfast as well as laundry costs have reduced in accordance with the projected decrease in demand but staff costs have been maintained at the level set out in Appendix 1.

2.6.3 Appendix 3 sets out occupancy figures based on a small hotel in Caernarfon. This gives a net annual cost to the Authority of £31,076.

2.6.4 Appendix 4 sets out occupancy figures based on a Bed and Breakfast type accommodation in Caernarfon. This gives a net annual profit to the Authority of £2,382.

2.7 The Net Budget for Plas for the current financial year is £107,840 (after deducting Capital Costs) and so all the options highlighted above show that Plas would be within budget for the year. If the situation pertaining to Covid 19 improves there would then be potential to increase business further by re-establishing day meetings, functions such as weddings etc. but I have purposefully not referred to the same in any detail here as the aim is to give the Authority some idea of what can realistically be achieved in the short to medium term.

3 STAFF COSTS

3.1 As stated earlier in previous reports running Plas as a B&B type establishment will involve significant redundancies. Rather than concentrate on specific posts I have tried to calculate the hours needed in specific roles to give an overall idea of the likely cost.

3.1.1 Reception – will need to be staffed between the hours of 8am and 10pm to deal with enquiries and guests certainly during the peak season. During the shoulder seasons it will probably be feasible to reduce opening hours significantly depending on business but for the sake of this exercise I have kept staff costs at the level set out above for the full year. There is accordingly scope to reduce this somewhat in the attached spreadsheet.

3.1.2 Night cover – for the purpose of this paper I have kept this cost at the current level namely £50 per night for sleeping in. If we are unable to continue with present arrangements if there are insufficient staff to volunteer for this additional duty then the cost of a night porter would be significantly more. The spreadsheets have all assumed that cover will be required throughout the year. In practise there will inevitably be nights, particularly during the quiet off season months where such cover will not be required and so, once more there is scope to reduce somewhat.

- 3.1.3 Caretaker – a requirement for 2 hours per day to deal with the matters that invariably crop up from time to time on a historic building such as Plas. If we find that a night porter has to be employed then the night porter and caretaker role could be combined to save money.
- 3.1.4 Kitchen – 1 senior cook and 2 cooks for 3 hours per day, 7 days per week. The cooks would also serve and clear tables. Whilst slightly more expensive than dedicated serving staff this setup gives maximum flexibility for the kitchen and allows for annual leave, illness etc.
- 3.1.5 Cleaning – a total allowance of 70 hours per week. This should give sufficient time to allow for the effective cleaning of Plas to comply with any Covid regulations.
- 3.2 Given the significant changes to the existing staff structure if the above were adopted it is proposed that revised job descriptions be prepared. Some staff may slot in to a particular role if there is little variation to their current job descriptions. For all others it is not however proposed to establish pools for the remaining staff but rather that all staff who have an interest in applying for the remaining posts in Plas would be free to do so with the remainder being entitled to redundancy payment and pension without actuarial reduction if they are so eligible.
- 3.3 Costings for the above revised staff structure (including on costs) are set out in the spreadsheets attached and amount to a total of £190,963 per annum which equates to just short of £16,000 per month. If Plas suffers from next to zero income over this winter then (as set out earlier in this report) provided the situation improves for Spring and Summer it should be feasible for Plas to operate within its net budget. As the Authority in general operates a system of annualised hours some of the staff time could be banked for the busier periods.
- 3.4 The Authority may also be eligible for the new furlough scheme which may assist in further cutting the overall cost to the Authority. The hours that staff would work during this period could be spent on ensuring that there is a twice weekly inspection of all rooms, running of taps, showers etc. to minimise the risk of legionella as well as a planned programme of upkeep and maintenance to the rooms. This should ensure that Plas will be in a position to go as soon as we are in a position to do so.
- 3.5 No provision has been made in the above at present for some form of managerial role. Whilst falling significantly below the present level of the Head of Business the Authority should recognise that some form of manager will be needed for Plas during this period.

4 OTHER COSTS

- 4.1 Fixed costs and consumables. Given the change to the business envisaged by adopting this business model there is inevitably a certain amount of guesswork involved. These are once more set out in the spreadsheets and have had input from both the Head of Finance and the Head of Business.
- 4.2 Bearing in mind the range of rooms on offer the assumed number of guests for breakfast, if Plas is at 100% capacity, has been calculated at 30. The actual figures may exceed this on occasion – it really depends on the number of single rooms and family rooms requested on any given night. The cost of the food has been estimated at £3.50 per head and this is likely to be accurate.
- 4.3 Costings have not been included in the above for the gardens at Plas Tan y Bwlch as the remit was to prepare a business case for the running of Plas as a B&B type guesthouse. They are however Grade II listed and are included on the International Council for Monuments and Sites (ICOMOS) register of historic parklands and could be regarded as an attraction in themselves. As such there is certainly an argument that the Authority has a duty to at least maintain the same to some standard. The employment of a part time gardener to carry out basic maintenance and some horticultural duties would be circa £10,000 per annum but it should be stressed that a gardener is not necessary for the operation of Plas as a B&B type business. A team of volunteers should be re-established to assist with the maintenance of the gardens if the Authority wishes to proceed with maintenance of the same.

5 INCOME

- 5.1 The spreadsheets refer to the fact that it is hoped to let a total of 20 bedrooms with ensuite facilities. At present the number is limited to 16 rooms with four of these being family rooms, four double rooms, four twin rooms and the remaining four rooms being single rooms. As such I have calculated income from each room at a median of £66.67 per room which equates to £80.00 per room when one includes VAT. There is currently reduced VAT chargeable at the present time in this sector.
- 5.2 To realise a full range of 20 ensuite rooms some expenditure will be required ranging from the removal of a suspected wasps nest to treating a serious damp problem. It is anticipated that this can be undertaken over the Winter period and from Spring onwards Plas should be able to offer twenty ensuite rooms.
- 5.3 There is potential of course to exceed the target occupancy levels given in the spreadsheets. In this context I have recently been in discussion with National Grid in connection with the possibility of letting some rooms in connection with work expected to commence in the area in the medium term. Their initial

interest will likely be in office type accommodation which Plas should be in a position to cater for given the fact that the Stables is currently under used. There will be the potential to develop further to include accommodation as the project develops but this is at a very early stage at present and may not develop further. A meeting is due to take place early in the New Year to further discuss possibilities.

6 OVERALL COST TO THE AUTHORITY

- 6.1 There is inevitably uncertainty as to the accuracy of the business model but from the spreadsheets one can surmise that there will continue to be a cost to the Authority of operating Plas even in this reduced format.
- 6.2 It is likely however that the cost will be within the overall cost budget set by the Authority and does not take into account the possibilities that exist to attract further income as the new business model progresses.
- 6.3 The reality is that whatever model is chosen there is likely to be a cost to the Authority, certainly in the short to medium term. This business model does perhaps offer a realistic alternative to full closure which of course comes with its own risks of a deteriorating listed building. This in turn can then be very difficult to sell given the considerable financial obligations to re-instating the same.
- 6.4 There will also be significant redundancy costs with any new business model adopted. As previously reported to the Authority on 15th July 2020 the cumulative cost of redundancy and pension release is estimated to be £385,181 for all the staff at Plas. The recommendation is that Plas moves to providing a B&B type service. If this recommendation is adopted then the costs will certainly be less but no firm figure can be provided at this time as no decision has been taken on staff. Any costs can be met out of the Authority's reserves.

7 PARTNERSHIPS

- 7.1 Preliminary discussions have taken place with some organisations and an oral update will be provided at the meeting.
- 7.2 The Authority should be aware however that any such developments are likely to be realisable in the medium term at best other than a straight sale of the building. Any sale of the building also carries risk as the Authority would not then be in a position of control when one considers that Plas Tan y Bwlch is a Grade II* listed building.

RESOURCE IMPLICATIONS

This paper forms the basis of a potential future business model that will have resource implications for the Authority but should be able to be met from existing budgets.

RECOMMENDATION

- 1. To continue operating Plas Tan y Bwlch as a B&B type business in the short to medium term.**
- 2. To proceed with staff restructuring as outlined in the report with the provision for a managerial role.**
- 3. That the Plas Tan y Bwlch Board reports on progress to each meeting of the Performance and Resources committee so as to ensure that all members of the Authority are appraised of developments.**

BACKGROUND PAPERS